
The employee value proposition



A lot of companies talk about being an employer of choice, but as competition for talent heats to a boil, Stewart Black, INSEAD Affiliate Professor of Organisational Behaviour, says executives have to do more than give the concept lip service.

According to Black, many good companies with good strategies often fail to hit their targets because they don't have the people they need. Attracting and keeping talented employees is vital for companies to compete today.

"The reality for most managers and executives out there is that there is a war for talent," Black says.

In part, it's a numbers game. North America and Europe went from baby boom to baby bust and there just aren't enough qualified people to fill the jobs. In Asia, the economies are young and there isn't a pool of experienced workers to meet booming demand. This is creating a historic global shift.

"When you have growing demand in general, especially in certain markets, for people with qualifications and increasing competition (for) those people, there is a shift in the balance of power from employers toward employees. This means employers, if they want to attract and keep the best and the brightest, have to have an attractive value proposition for employees," says

Black.

The employee as customer

Employees also have new access to information. Just as the internet increased competition for customers by allowing them to compare prices and products, now employees can instantly search the web to discover their value and other job opportunities.

One final factor is a big move in many countries away from traditional pension plans that tended to keep employees from leaving, especially employees with tenure. As companies have shifted from defined benefit to defined contribution plans, they've lowered the switching costs for workers changing employers.

"So, I know more of what my value is, my switching costs have gone down, so therefore to keep me you have to have an attractive value proposition," says Black of the change in employee attitudes.

All of this will require a big shift in thinking for employers, who have long acted as though any worker were replaceable. They are beginning to find that they are no longer in the driver's seat when it comes to hiring talent.

Employees also pay a price

Black often surprises executives when he tells them that employees pay a price for working at their company.



“They said no, you’ve got it wrong, they don’t pay us, we pay them. But the issue is that employees really do pay a price,” says Black. “You pay a price in terms of the hours you give to the firm, and in some companies that’s a 40-hour week and in some companies it’s a 100-hour week. You pay a price in terms of the stress and strain, literally the blood, sweat and tears you give.” Employees weigh the price they pay against what they are being offered. “Is it fundamentally a good deal? If it’s not a good deal, especially now that I have more information, I start shopping around for a better deal,” he said. “Unless you’re a slave or somehow or otherwise indentured, people have a choice.”

Black says there are measurable things corporate executives can do to attract and keep the best people. Borrowing a phrase from customer satisfaction analysis, he calls these “value propositions” and lists four main categories: leadership, company, job and rewards.

1. Leadership

Studies show that strong leadership is the single most powerful feature in motivating and keeping employees. He says workers understand that poor

leadership will impact not only the success of the company but the quality of the work environment and their own ability to develop and build a career.

“People do care about the quality of leadership and they also care about the company’s ability to identify and develop leaders, including eventually themselves,” Black says.

2. Company

This encompasses everything about the firm: reputation, values, culture and its contributions to the world and the community. Employees might be willing to work longer hours or for less compensation for a company with stronger corporate values or a better reputation.

“A few years ago Exxon was not the greatest company to work for, just after the Valdez (oil spill in Alaska). Not very long ago, Enron was not a company that you’d want to work for. So the reputation, the culture, those sort of things matter,” he says.

3. Job

This involves many of the day-to-day aspects of a job. How interesting and compelling is the work? Can employees grow and be fulfilled in their jobs? Do they have the resources and training to achieve their goals?

“In particular, how much freedom, autonomy, growth and challenge do I have in the job that I am asked to do? How interesting is the job?”

4. Rewards

This is what most people think of when they think about employee compensation: wages and benefits. But rewards also include intangibles such as career prospects, development opportunities and social contact with co-workers.

Black says it’s often difficult for executives to see how this impacts the bottom line, but it is measurable.

“Take almost any business, but certainly a firm that has a high service component, if people are going out the door too quickly, that means that

they're not getting up the learning curve and as a consequence aspects of your service suffers," he says. "It translates directly into key aspects like service quality which have a direct affect on bottom line results."

For managers, measuring their company's value propositions for employees is a concrete way to become an employer of choice and to succeed as a business.

"Lots of companies believe their competitive advantage is their unique culture; however, if you can't attract and retain the right people, your culture will soon stop delivering any advantage," he says.

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